



Mayor's Letter

August 15, 2021

ROAD UPDATE. Since last month essentially nothing has happened. Ed Bell has walked away from the job and they have stopped working on the final punch list. While the concrete paving is complete, there is still sodding, grading, and basic clean-up still to do. You can still see several black erosion control fences and the straw bale barriers at every inlet. The sod around each of the inlets needs to be removed because it isn't graded correctly - the sod is higher than the bottom of the inlet. Everywhere you see dirt, it must have grass as the contract requires that any areas "disturbed" during construction must be sodded. So far Ed Bell is not responsive.

Although I am disappointed in Ed Bell's performance, we hold over \$200,000 in construction funds that we have retained under the contract terms. Like a "security deposit". So, in a worst-case scenario we use Ed Bell's performance bond to complete the job. So, it's going to be a little longer until those black fences go away.

OUR NEXT BIG PROJECT. We are currently in negotiations with developers for four single-family home projects, three inside Lakewood Village and one large development outside the city. Combined, these developments **would add approximately 500 houses to our area**. As the utility provider, we are responsible for providing water and sewer. Currently, our 260 houses are using approximately 50 percent of our maximum water production and approximately 55 percent of our sewer capacity. So, the good news is that we don't have to do anything immediately, however, some basic math tells you we will need to expand our utilities soon.

I am currently working with Kimley-Horn engineers to produce a utilities master plan to expand our water and sewer capabilities to their final build-out size. The plan will encompass four needs: (1) a new deep well into the Twin Mountains aquifer (our existing wells are in the Paluxy and Woodbine aquifers); (2) a new 200,000 gallon ground storage tank (the tall fiberglass tanks would be removed); (3) a new larger lift-station at the wastewater plant; and (4) a second 100,000 gallon wastewater treatment facility next to our existing one.

The timeline for these projects is three years and the estimated cost will be approximately \$4 million. Just like the road project, we have to start with developing concept plans, engineering, designs, bidding and of course financing. Unlike the roads, we also need approvals from the state and federal regulators before we can begin construction. We have always known that expansion was inevitable. Several years ago, we had our engineers do a well study in preparation for our future well. Once we borrow the money, under SEC/IRS rules we have three years to spend it, so timing is critical. I have already started financing discussions with our financial advisors at SAMCO.

IMPACT FEES. All of the additional infrastructure is due to new development. Our existing 260 houses and 32 empty lots can be easily serviced with our existing capabilities. Back in 2017, Lakewood Village adopted impact fees so that developers would have to pay their share of any required improvements. Under Texas law, the developers are responsible for \$2 million. Why only half? This is Texas, not California, this state is pro-developer. For Lakewood Village, our tap fees (which are separate) will generate the other \$2 million. So, the good news is that the new development will pay for the expansion. However, we will have to play banker and borrow the money to pay for the construction up-front until we get repaid. Also, our utility revenues will almost triple, so we can easily afford the debt payments while we get repaid. I expect this debt to be fully paid off very quickly.

I think outsiders have finally noticed. There's never been a better time to be in Lakewood Village.

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Mayor

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